

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-06 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 PRS-01 INT-05 ABF-01
OPR-02 AGRE-00 OES-07 DOE-11 SOE-02 /126 W
-----009013 131952Z /42

R 131811Z JAN 78
FM AMEMBASSY PARIS
TO DEPARTMENT OF TREASURY
INFO SECSTATE WASHDC 4224
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 01154

PASS STATE FOR EB/EUR, FEDERAL RESERVE, AND COMMERCE
FOR BONN, PASS HERMBERG; FOR LONDON, PASS AMMERMAN;
FOR ROME, PASS DEFALCO; FOR TOKYO, PASS MCCAMEY

E. O. 11652: GDS
TAGS: EFIN, FR
SUBJECT: FORECAST OF FRENCH ECONOMY FOR 1978

REFTEL: PARIS 25252, DATED AUGUST 31, 1977

1. SUMMARY: THERE IS NO REASON TO CHANGE THE 1978
FORECAST OF A REAL GROWTH RATE OF 3.5 PERCENT SUBMITTED
BY REFTEL, ALTHOUGH CHANGES HAVE BEEN MADE IN THE
COMPONENTS OF FINAL DEMAND. THIS FORECAST IS BASED ON
THE ASSUMPTIONS OUTLINED BELOW. DATA FOR THIS FORECAST
BASED ON THE NEW GNP SERIES NOW IN USE BY THE GOF. THE
BALANCE OF PAYMENTS FORECAST IS THE LATEST INTERNAL MOF
FORECAST, WHICH MIGHT BE SOMEWHAT OPTIMISTIC ON THE
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TRADE BALANCE AND NET SERVICES. END SUMMARY

2. ASSUMPTIONS:

(A) RE-ELECTION OF THE PRESENT MAJORITY AND CONTINUATION
OF THE MAIN FEATURES OF THE BARRE PLAN AS OUTLINED
IN THE 1978 BUDGET PRESENTATION;

(B) AN ANNUAL RATE OF INFLATION OF BETWEEN 8 AND 9 PER-CENT, POSSIBLY DECLINING TO 7.5 PERCENT--QUARTER OVER QUARTER--BY THE END OF THE YEAR;

(C) GLOBAL DEMAND AT ABOUT 5 PERCENT;

(D) AN OIL PRICE INCREASE OF ABOUT 5 PERCENT;

(E) FRENCH FRANC/DOLLAR EXCHANGE RATE BELOW 5 TO 1 THROUGH FIRST QUARTER 1978 AND ABOUT 4.60 TO THE DOLLAR FOLLOWING MARCH LEGISLATIVE ELECTIONS.

(F) NO SERIOUS SOCIAL OR POLITICAL PRESSURES IN AFTERMATH OF LEGISLATIVE ELECTIONS.

3. FORECAST OF FRENCH ECONOMY FOR 1978:

1978 FRENCH TOTAL DEMAND AND OUTPUT -- ANNUAL RATES OF REAL GROWTH

TOTAL CONSUMPTION	2.9
PRIVATE	N.A.
PUBLIC	N.A.
TOTAL INVESTMENT	1.6
BUSINESS	3.0
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HOUSEHOLD	-1.0
PUBLIC	1.0
STOCKBUILDING	
EXPORTS (INCLUD. SERVICES)	5.7
IMPORTS (INCLUD. SERVICES)	5.5
NET FOREIGN BALANCE	
GIP	3.5

1977 PRELIMINARY ESTIMATES AND 1978 FORECAST YEAR TOTALS;
BILLIONS OF FRANCS; 1970 PRICES 1

TOTAL CONSUMPTION	666.8	686.1
PRIVATE	624.3	N.A.
PUBLIC	42.5	N.A.
TOTAL INVESTMENT	238.3	242.1
BUSINESS	130.5	134.5
HOUSEHOLD	60.3	59.6
PUBLIC	47.5	48.0
STOCKBUILDING	-11.8	-4.2
EXPORTS (INCLUD. SERVICES)	216.1	228.4

IMPORTS (INCLUD. SERVICES) 204.2 215.5
NET FOREIGN BALANCE 11.9 12.9

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OPR-02 AGRE-00 OES-07 DOE-11 SOE-02 /126 W
-----009102 131951Z/42

R 131811Z JAN 78

FM AMEMBASSY PARIS
TO DEPARTMENT OF TREASURY
INFO SECSTATE WASHDC 4225
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 02 OF 02 PARIS 01154

GIP 905.2 936.9

1 BASED ON INTERNAL INSEE DATA WITH INFORMAL INSEE
ESTIMATE OF FOURTH QUARTER RESULTS.

4. FORECAST OF FRENCH BALANCE OF PAYMENTS FOR 1978:

(BILLIONS OF FRANCS)

TRADE BALANCE	MINUS 8.0
NET SERVICES 1	PLUS 13.0
NET TRANSFERS	MINUS 12.0
CURRENT ACCOUNT	MINUS 7.0
LONG TERM CAPITAL,	MINUS 25.0
OF WHICH EXPORT CREDITS	(MINUS)(19.0)
ORGANIZED BORROWING 2	PLUS 17.0

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BASIC BALANCE MINUS 15.0
SHORT TERM CAPITAL & ADJUSTMENTS PLUS 15.0

1 SINCE 1976 THERE HAS BEEN A CONSIDERABLE INCREASE IN
NET SERVICES CAUSED MAINLY BY A RISE IN INTEREST
INCOME FROM FOREIGN CREDITS.

2 THE LONG-TERM BORROWING, MAINLY BY GOF ENTITIES,
WHICH IS AUTHORIZED AND CONTROLLED BY THE MOF--E.G.,
ELECTRICITE DE FRANCE, CAISSE DES AUTOROUTES, ETC.

HARTMAN

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Message Attributes

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